

**North Louisiana Area Health
Education Center Foundation
Bossier City, Louisiana**

**Annual Financial Report
As of and for the Year Ended September 30, 2007**

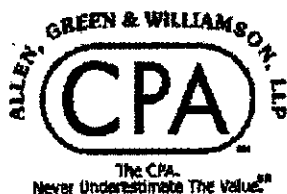
Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/16/08

**North Louisiana Area Health
Education Center Foundation**

TABLE OF CONTENTS

	<u>Statement</u>	<u>Page</u>
INDEPENDENT AUDITORS' REPORT		1-2
BASIC FINANCIAL STATEMENTS		
Statement of Financial Position	A	3
Statement of Activities	B	4
Statement of Cash Flows	C	5
Notes to the Basic Financial Statements		
Index		6
Notes		7-11
SUPPLEMENTAL INFORMATION	<u>Schedule</u>	
Schedule of Expenses	1	12
OTHER REPORTS REQUIRED BY <u>GOVERNMENT AUDITING STANDARDS</u> AND OMB A-133:		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		13-14
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <u>OMB Circular A-133</u>		15-16
Schedule of Expenditures of Federal Awards		17
Notes to the Schedule of Expenditures of Federal Awards		18
Schedule of Findings and Questioned Costs		19
OTHER INFORMATION		
Summary of Prior Audit Findings		20



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INDEPENDENT AUDITORS' REPORT

The Board of Directors
North Louisiana Area Health
Education Center Foundation
Bossier City, Louisiana

We have audited the accompanying statement of financial position of North Louisiana Area Health Education Center Foundation, a nonprofit organization, (the North La. AHEC) as of September 30, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the North La. AHEC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the North La. AHEC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects the financial position of the North La. AHEC, as of September 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2008, on our consideration of the North La. AHEC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the North La. AHEC taken as a whole. The accompanying supplemental information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the North La. AHEC. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Also, the accompanying other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the North La. AHEC. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
March 31, 2008

**NORTH LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION**

**STATEMENT OF FINANCIAL POSITION
September 30, 2007**

Statement A

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,073
Investments	85,895
Cost reimbursement receivable	149,401
Prepaid expenses	<u>747</u>

Total current assets 237,116

PROPERTY AND EQUIPMENT

Office equipment	114,598
Furniture	29,531
Vehicle	18,245
Building	<u>65,223</u>

Total property and equipment 227,597

Less: Accumulated depreciation 177,795

Total property and equipment - net of depreciation 49,802

TOTAL ASSETS **\$ 286,918**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 159,032
Accrued salaries	27,133
Accrued payroll taxes	2,383
Compensated absences	20,621
Deferred revenue	<u>47,460</u>

TOTAL LIABILITIES **256,629**

NET ASSETS

Unrestricted net assets 30,289

Total net assets 30,289

TOTAL LIABILITIES AND NET ASSETS **\$ 286,918**

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NORTH LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION**

**STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2007**

Statement B

	<u>UNRESTRICTED</u>
REVENUES, GAINS AND OTHER SUPPORT:	
Grants - Area Health Education Program	\$ <u>1,693,762</u>
Other revenue:	
Interest and dividends	2,242
Donations	46,314
Other revenue	<u>18,492</u>
Total other revenue	67,048
Increase in fair market value of investments	<u>3,467</u>
Total revenues, gains and other support	<u>1,764,277</u>
EXPENSES AND LOSSES:	
Direct program expenses	<u>1,172,087</u>
Supporting Services Expense	
Salaries	358,180
Payroll taxes and benefits	104,036
Supplies and postage	5,181
Telephone	5,176
Occupancy expense	3,855
Travel	18,900
Other operating expenses	72,791
Depreciation	17,437
Marketing and membership	29,493
Legal and accounting	<u>10,223</u>
Total supporting services expense	<u>625,272</u>
Total expenses and losses	<u>1,797,359</u>
Change in net assets	(33,082)
NET ASSETS - BEGINNING OF YEAR	<u>63,371</u>
NET ASSETS - END OF YEAR	<u>\$ 30,289</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NORTH LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION**

**STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007**

Statement C

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in net assets	\$ (33,082)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	17,437
(Increase) decrease in:	
Cost reimbursement receivable	(95,207)
Prepaid expenses	80
(Decrease) increase in:	
Accounts payable	81,242
Accrued salaries	(63,873)
Accrued payroll taxes	(272)
Compensated absences	(7,660)
Deferred revenue	<u>47,460</u>
Net cash provided (used) by operating activities	<u>(53,875)</u>

CASH FLOW FROM INVESTING ACTIVITIES

Purchases of equipment	<u>(11,972)</u>
Net cash provided (used) by investing activities	<u>(11,972)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS (65,847)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 152,815

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 86,968

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

North Louisiana Area Health
Education Center Foundation

Notes to the Basic Financial Statements
For the Year Ended September 30, 2007

<u>INDEX</u>	<u>Page</u>
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	7
NOTE 2 - DEPOSITS AND INVESTMENTS.....	9
NOTE 3 - ACCOUNTS RECEIVABLE	9
NOTE 4 - CAPITAL ASSETS	10
NOTE 5 - ACCOUNTS PAYABLE.....	10
NOTE 6 - LINE OF CREDIT	10
NOTE 7 - COMPENSATED ABSENCES.....	10
NOTE 8 - DEFERRED COMPENSATION PLAN	10
NOTE 9 - COMMITMENTS AND CONTIGENCIES	10
NOTE 10 - DEFERRED REVENUE	11
NOTE 11 - ECONOMIC DEPENDENCY	11
NOTE 12 - BUILDING RENTAL.....	11

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Purpose The North Louisiana Area Health Education Center Foundation (the North La. AHEC) was organized without capital stock under Louisiana law on March 7, 1989, as a non-profit corporation to bring healthcare education and resources to rural and underserved communities in North Louisiana. Membership in the North La. AHEC is evidenced by certificates of membership and is limited to individuals who are members of the Board of Directors, or other persons who have the approval of the Board of Directors of this North La. AHEC. The North La. AHEC's main source of support is federal and state grants passed through various state agencies.

Income Taxes The North La. AHEC is qualified as an organization exempt from Federal income taxes pursuant to Paragraph 501(c)(3) of the Internal Revenue Code. No provision for income taxes is necessary.

Cash and Cash Equivalents For purposes of the statement of cash flows, the North La. AHEC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments If the original maturities of investments exceed 90 days they are classified as investments; however, if original maturities are 90 days or less, they are classified as cash equivalents. The investments are in certificates of deposits and corporate bonds, which are stated at the quoted fair market value.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets and Donated Use of Facilities Pursuant to their contractual agreement, Louisiana State University Medical Center (LSUMC) budgets for expenditures for capital assets to be acquired for the North La. AHEC. The contractual agreements for years 1989, 1990, 1991 and 1992, with LSUMC stated that the ownership of assets purchased with grant funds would remain with LSUMC. The agreements for years 1993 and 1994 do not specify this reversionary ownership. However, according to federal regulations, the title to assets purchased with federal funds generally reverts to the grantor at the end of the grant period. Accordingly, these costs were recorded as revenue and expenditures in the activity statement of the North La. AHEC and are not capitalized for prior years. The assets purchased beginning October 1, 1994 are budgeted for in a cooperative endeavor agreement between LSUMC and the North La. AHEC as described in Note 1 under the Revenue and Expense caption. This agreement does not contain a provision for reversionary ownership and, accordingly, as of the beginning of the fiscal year ending September 30, 1995 the North La. AHEC capitalizes assets purchased and records these purchases at cost for all assets of \$500 or more. Depreciation is calculated using straight-line method over the estimated useful lives of the assets ranging from 3 to 20 years. Depreciation expense for the year was \$17,437.

The building is capitalized and depreciated over its estimated useful life. E. A. Conway Memorial Hospital, an affiliated organization with Louisiana State University Medical Center, provides the use of land for the portable building. The use of land is not recorded in the financial statements. The office was relocated in September, 2006 to Bossier City to a rent-free building provided by an area hospital.

Revenues and Expenses The North La. AHEC is funded by contractual agreements with various state and federal agencies. These agreements represent exchange transactions for goods and services under the guidance provided by

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2007**

Statement of Financial Accounting Standards No 116 "Accounting for Contributions Received and Contributions Made". Exchange transactions do not meet the definition of contributions, accordingly, SFAS No. 116 does not apply. Support for the North La. AHEC is provided by the Louisiana Legislature through funding to Louisiana State University Medical Center (LSUMC) for continuing the operations of the Area Health Education Program. In accordance with Article 7, Section 14(c) of the Louisiana Constitution a Cooperative Endeavor was entered into by and between the Board of Supervisors of Louisiana State University Agricultural and Mechanical College, acting on behalf of the Louisiana State University Medical Center, Shreveport and the North La. AHEC. This agreement is a state funded replacement of a cooperative agreement originally between the United States Public Health Service (entered into in 1988 and terminated on September 29, 1994) and Louisiana State University Medical Center for the establishment of a state wide area health education center program.

Expenses are to be made in accordance with a budget which has been adopted and made a part of the contract agreement with LSUMC. The North La. AHEC is to be reimbursed by LSUMC for costs incurred in carrying out the provisions of this agreement. An advance is paid to the North La. AHEC by the tenth working day of each month. Revenues are recorded when earned and expenses when incurred. Additional programs added to enhance the North La. AHEC's ability to serve the community is supported by other federal and state grants. These grants operate on a cost reimbursement basis.

Contributions Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The North La. AHEC has not received any restricted contributions.

The North La. AHEC primarily receives cash from various government contracts on an exchange transaction for specified services. These revenues are not considered contributions and are recorded as an increase in unrestricted net assets.

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The North La. AHEC has not received any promises to give.

Functional Allocation of Expenses The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Costs are allocated between fund raising, management and general, supporting services or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the North La. AHEC.

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2007**

NOTE 2 - DEPOSITS AND INVESTMENTS At September 30, 2007, the North La. AHEC had cash and cash equivalents (book balances) totaling \$1,073 in demand deposits. Deposits are stated at cost, which approximates fair value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At year end, the North La. AHEC's carrying amount of deposits was \$1,073 and the bank balance was \$42,010. Of the bank balance, \$26,929 was covered by federal deposit insurance. North La. AHEC had \$15,081 in a money market sweep account which does not require collateralization.

Interest Rate Risk: The North La. AHEC's policy does not address interest rate risk.

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the North La. AHEC's deposits may not be returned to it. As of September 30, 2007, the North La. AHEC had no custodial risk because the bank balances were fully insured by FDIC.

Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counter party, the North La. AHEC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The North La. AHEC does have \$53,129 in CD's or equivalents insured through FDIC. The \$32,766 in corporate bonds is not collateralized with securities. The CD's and bonds are fixed income investments.

Credit Rate Risk: The CD equivalents do not have a credit rating. The corporate bonds have an S&P rating of AA (\$17,771) and B (\$14,995).

Concentration of Credit Risk – Investments:

<u>Issuer</u>	<u>Amount</u>	<u>Percent of Total Investments</u>
Principal Life Income FDG Trust	\$17,771	20.7%
Ford Motor Cr. Co. Bonds	14,995	17.5%
Total	<u>\$32,766</u>	

NOTE 3 - ACCOUNTS RECEIVABLE Accounts receivable of \$149,401 at September 30, 2007, consists of amounts due from various grants for cost reimbursement. The North La. AHEC expects to collect these balances in full; therefore no allowance for doubtful accounts has been established.

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2007**

NOTE 4 - CAPITAL ASSETS Capital asset balances and activity for the year ended September 30, 2007, are as follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Exhaustible capital assets				
Buildings	\$ 65,223	\$ 0	\$ 0	\$ 65,223
Furniture and equipment	134,956	11,973	2,800	144,129
Transportation equipment	18,245	0	0	18,245
Total	<u>218,424</u>	<u>11,973</u>	<u>2,800</u>	<u>227,597</u>
Less accumulated depreciation				
Buildings	32,666	3,485	0	36,151
Furniture and equipment	121,370	11,346	2,800	129,916
Transportation and equipment	9,122	2,606	0	11,728
Total	<u>163,158</u>	<u>17,437</u>	<u>2,800</u>	<u>177,795</u>
Governmental activities				
Capital assets, net	<u>\$ 55,266</u>	<u>\$(5,464)</u>	<u>\$ 0</u>	<u>\$ 49,802</u>

NOTE 5 - ACCOUNTS PAYABLE Accounts payable at September 30, 2007, of \$159,032 consisted as follows:

Vendors	\$ 84,032
Line of Credit	<u>75,000</u>
Total accounts payable	\$159,032

NOTE 6 - LINE OF CREDIT On January 9, 2007 North La. AHEC signed a letter of credit agreement with Capital One. The principal amount was for \$75,000 with a maturity date of February 1, 2008. The balance owed on this loan was \$75,000 as of September 30, 2007.

NOTE 7 - COMPENSATED ABSENCES All employees earn vacation time based on their years of service. As of September 30, 2007 accrued vacations was as follows:

<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
\$28,281	\$20,950	\$28,610	\$20,621

NOTE 8 - DEFERRED COMPENSATION PLAN The North La. AHEC sponsors all of its eligible full-time employees in a noncontributory tax-deferred compensation plan under the rules in IRC Section 403(b). The amount of contributions by the North La. AHEC to the Plan will be determined annually based on budget allocations and applicable law limitations. Contributions by the North La. AHEC totaled \$154,062 for 2007.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Litigation and claims The North La. AHEC is not presently involve in litigation.

Grants Disallowances North La. AHEC participates in a number of state and federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursing by the grantor agency for expenditures disallowed under terms of the grants. North La. AHEC's

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Basic Financial Statements
For the Year Ended September 30, 2007**

management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 10 - DEFERRED REVENUE The beginning balance of deferred revenue carried over from the prior year was \$0. Revenues exceeded expenditures for the current year. At September 30, 2007 there was \$47,460 deferred revenue to be recorded on the financial statements for the Healthy Start federal grant.

NOTE 11 - ECONOMIC DEPENDENCY Statement of Financial Accounting Standards (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenue. The Department of Health and Human Services provided \$533,468 or 30% of the North La. AHEC's total revenues. The State of Louisiana (as passed through the LSU Medical Center) provided \$446,367 or 25% of total revenues.

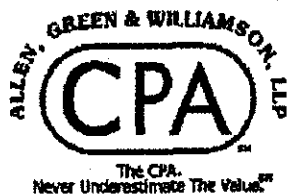
NOTE 12 - BUILDING RENTAL The North La. AHEC moved into a building in Bossier City, Louisiana in October 2006. The building is owned by Willis Knighton Medical Center and furnished rent free to North La. AHEC. The building is 3,822 square feet with a rental value of \$1.00 per square foot at current market price as determined by a local realtor. For the fiscal year 2007, donation income and rent expense of \$45,864 was recorded on North La. AHEC's financials.

**North Louisiana Area Health
Education Center Foundation**

**Schedule of Expenses
For the Year Ended September 30, 2007**

Schedule 1

	Program Services <u>Expenses</u>	Supporting Services <u>Expenses</u>	<u>Total</u>
Salaries and Related Expense			
Salaries	\$ 737,430	\$233,504	\$ 970,934
Payroll taxes	28,279	48,567	76,846
Employee benefits	103,332	44,086	147,418
Miscellaneous personnel expense	5,214	16,274	21,488
Total salaries and related expenses	<u>874,255</u>	<u>342,431</u>	<u>1,216,686</u>
Other expenses			
Accounting and Audit	-	24,732	24,732
Advertising and Marketing	41,125	9,043	50,168
Board of Directors	-	3,473	3,473
Communications	10,601	8,973	19,574
Conferences	-	395	395
Database Expense	-	1,600	1,600
Depreciation Expense	-	17,437	17,437
Donations	-	1,250	1,250
Evaluations	9,600	-	9,600
Fees	-	3,333	3,333
Insurance	5,020	4,582	9,602
Lease Expense	845	4,488	5,333
Licenses and Memberships	-	23,840	23,840
Maintenance	4,645	4,043	8,688
Miscellaneous Expense	9,600	1,575	11,175
Miscellaneous Services	-	7,246	7,246
Moving Expense	7,811	3,855	11,666
Postage	5,640	35	5,675
Printing	5,495	131	5,626
Recruiting Expense	41,375	-	41,375
Rent Expense	-	45,864	45,864
Scholarships and Memorials	5,038	3,194	8,232
Stipends	35,262	1,765	37,027
Supplies	104,842	15,769	120,611
Training	7,392	3,409	10,801
Travel	76,714	19,636	96,350
Total other expenses	<u>371,005</u>	<u>209,668</u>	<u>580,673</u>
Total	<u><u>\$ 1,245,260</u></u>	<u><u>\$552,099</u></u>	<u><u>\$ 1,797,359</u></u>



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

The Board of Directors
North Louisiana Area Health
Education Center Foundation
Bossier City, Louisiana

We have audited the financial statements of North Louisiana Area Health Education Center Foundation (a non-profit organization) as of and for the year ended September 30, 2007, and have issued our report thereon dated March 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the North La. AHEC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North La. AHEC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the North La. AHEC's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weaknesses, as defined above.

Compliance & Other Matters

As part of obtaining reasonable assurance about whether the North La. AHEC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

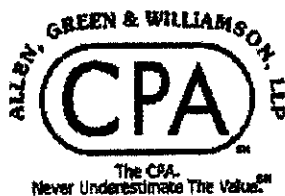
This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

March 31, 2008



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Amy Tynes, CPA
Aimee Buchanan, CPA
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Ernest L. Allen, CPA
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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board Members

North Louisiana Area Health
Education Center Foundation
Bossier City, Louisiana

Compliance

We have audited the compliance of North Louisiana Area Health Education Center Foundation with the types of compliance requirements described in OMB Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2007. The North La. AHEC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the North La. AHEC's management. Our responsibility is to express an opinion on the North La. AHEC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the North La. AHEC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the North La. AHEC's compliance with those requirements.

In our opinion, the North La. AHEC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the North La. AHEC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the North La. AHEC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the North La. AHEC's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of North La. AHEC, as of and for the year ended September 30, 2007, and have issued our report thereon dated March 31, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Allen, Green & Williamson, LLP
ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
March 31, 2008

**North Louisiana Area Health
Education Center Foundation**

**Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2007**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	CFDA <u>Number</u>	Pass-Through <u>Grantor No.</u>	<u>Expenditures</u>
CASH FEDERAL AWARDS			
Department of Health and Human Services			
Direct Programs:			
Healthy Start Division	93.926E	SH49MC00084-06-00; SH49MC00084-07-00	\$533,468
Passed Through State of Louisiana Department of Health and Hospitals, Office of Public Health			
Maternal and Child Health Program	93.994	627522;649105	100,802
Injury Prevention Coordinator	93.994	619084;627508	<u>41,157</u>
Total Federal Awards			<u>\$675,427</u>

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2007**

NOTE 1 - GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the North Louisiana Area Health Education Center Foundation. The North La. AHEC's reporting entity is defined in Note 1 to the North La. AHEC's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

NOTE 2 - BASIC OF ACCOUNTING The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

NOTE 4 - MATCHING REVENUES For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

**North Louisiana Area Health
Education Center Foundation**

**Schedule of Findings and Questioned Costs
As of and for the Year Ended September 30, 2007**

PART I - Summary of the Auditors' Results

Financial Statement Audit

- i. The type of audit report issued was unqualified.
- ii. There were no significant deficiencies required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.
- iii. There were no instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statements.

Audit of Federal Awards

- iv. There were no significant deficiencies required to be disclosed by OMB Circular A-133.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit disclosed no audit findings which the auditor is required to report under OMB Circular A-133, Section .510(a).
- vii. The major federal program is:

CFDA # 93.926 Healthy Start
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular A-133, Section .520(b) was \$300,000.
- ix. The auditee does qualify as a low-risk auditee under OMB Circular A-133, Section .530.

**North Louisiana Area Health
Education Center Foundation**

**Summary of Prior Audit Findings
September 30, 2007**

Reference # and title: **06-F1** **Bank Reconciliations are Not Being Prepared Timely**

Year of origination: 2004

Condition found: Review of the bank reconciliations and discussions with administrative staff revealed that bank reconciliations were not prepared timely. The six reconciliations tested yielded an average of thirty-two days between the bank statement date and the reconciliation date.

Corrective action taken: All statements have been reconciled within 10 days of availability on line and when the original is received from the CPA the staff's bank reconciliation is cross-checked against the reconciliation completed by the CPA. The Executive Director reviews both documents by the 30th of each month to ensure compliance.

Reference # and title: **06-F2** **Vendor Disbursements**

Year of origination: 2006

Condition found: A test of forty vendor disbursements revealed two transactions which were not properly authorized. Four invoices were not paid timely.

Corrective action taken: A new coordinator was hired and has worked in collaboration with the Executive Director to strengthen internal controls and develop systems for regular and routine accounting functions.

Reference # and title: **06-F3** **Allocation of Time Spent Not Certified**

Year of origination: 2005

Condition found: Conversations with personnel revealed that there was no documentation in the form of certifications for those employees paid with Healthy Start federal funds.

Corrective action taken: The form was provided by the Auditor and has been adapted for North La. AHEC use. Hourly staff has completed the adapted form bi-weekly and salary staff completes a statement on a bi-yearly basis.